

Message Text

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ACTION OES-04

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 AEC-05 AECE-00

ACDA-05 CIAE-00 INR-07 IO-10 L-02 NSAE-00 NSC-05

RSC-01 FEAEE-00 DODE-00 PM-03 H-01 PA-01 PRS-01 SP-02

SS-15 USIA-06 TRSE-00 OMB-01 FRB-01 CIEP-01 COME-00

EB-07 XMB-02 SAM-01 /109 W

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P R 031623Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 5545

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY MADRID

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY TEHRAN

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DEPT FOR OES/SCI/AE; PASS AEC

E.O. 11652:N/A

TAGS: TECH, TGEN

SUBJECT: IRANIANS TO FINANCE EURODIF URANIUM

ENRICHMENT PLANT

SUMMARY: THE HIGHLIGHTS OF THE FRANCO-IRANIAN
COOPERATION IN URANIUM ENRICHMENT ANNOUNCED JAN 2
ARE: 1) A CONSORTIUM (60 FRENCH, 40 IRANIAN)
WILL BE FORMED WHICH WILL HOLD A 25 SHARE IN
EURODIF; 2) THE IRANIANS WILL RECEIVE 10 OF
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EURODIF'S PRODUCTION; 3) THE IRANIANS WILL

LOAN \$1 BILLION TO THE FRENCH NUCLEAR AGENCY (CEA) OVER 15 YEARS AT AN UNDISCLOSED BUT "FAVORABLE" INTEREST RATE, AND 4) THE FRENCH AND IRANIANS WILL CONSIDER BUILDING A SECOND ENRICHMENT PLANT USING FRENCH TECHNOLOGY. THE FINANCIAL INTEREST OF THE IRANIANS WILL UNDOUBTEDLY PUT THE FRENCH IN A BETTER POSITION TO ATTRACT ADDITIONAL CAPITAL FOR A SECOND ENRICHMENT PLANT. END SUMMARY.

1. AT THE JAN 2, 1975 MEETING OF THE COUNCIL OF MINISTERS, MINISTER OF INDUSTRY AND RESEARCH MICHEL D'ORNANO ANNOUNCED THE TERMS OF A FRANCO-IRANIAN AGREEMENT ON URANIUM ENRICHMENT. THE AGREEMENT ESTABLISHES A FRANCO-IRANIAN CONSORTIUM WHICH WILL HOLD A 25 INTEREST IN THE EURODIF ENRICHMENT PLANT NOW UNDER CONSTRUCTION IN TRICASTIN, FRANCE. THE CONSORTIUM'S SHARE WILL COME FROM THE PART OF EURODIF (52.8) HELD BY THE FRENCH. THE OTHER EURODIF PARTNERS ARE ITALY (25), BELGIUM (11) AND SPAIN (11). IN RETURN, IRAN WILL RECEIVE 10 OF EURODIF'S PRODUCTION.

2. THE FRENCH AND IRANIANS HAVE ALSO AGREED TO ESTABLISH A GROUP TO STUDY THE POSSIBILITY OF BUILDING A SECOND ENRICHMENT PLANT USING FRENCH TECHNOLOGY. COMMENTING AT A PRESS CONFERENCE, D'ORNANO HINTED THAT A DECISION TO BUILD EURODIF II WITH THE SHAH, THE PRESENT EUROPEAN PARTNERS IN EURODIF I, AND EVENTUALLY JAPAN COULD BE NOW TAKEN VERY RAPIDLY.

3. THE MOST SURPRISING NEWS CAME IN A GOVERNMENT COMMUNIQUE ISSUED AFTER THE COUNCIL OF MINISTERS: THAT IRAN WILL LEND A BILLION DOLLARS TO THE COMMISSARIAT A L'ENERGIE ATOMIQUE TO FACILITATE FINANCIAL PROBLEMS RELATING TO THE FORMATION OF THE JOINT CONSORTIUM. D'ORNANO TOLD THE PRESS THAT THE LOAN WAS FOR 15 YRS AT FAVORABLE TERMS. HE DID NOT DISCLOSE THE INTEREST RATE. THE LIMITED OFFICIAL USE

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INFO AMEMBASSY BONN

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COMMUNIQUE ALSO STATED THAT THE FRENCH WOULD CONTROL 60 OF THE CONSORTIUM.

4. THE CEA INTERNATIONAL OFFICE (LEGUELTE) CONFIRMED THE ABOVE TO SCIATT. HE SAID, HOWEVER, THAT THE BILLION DOLLAR LOAN WAS TO ASSIST THE FINANCIALLY HARD-PRESSED CEA IN MEETING ITS OBLIGATIONS TO EURODIF. BOTH HE AND THE MFA NUCLEAR AFFAIRS DIRECTOR ADMITTED THEY ORIGINALLY HEARD THE NEWS OF THE AGREEMENT AND LOAN FROM
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PUBLIC MEDIA.

5. COMMENT: THE SHOW OF IRANIAN INTEREST IN FINANCING A SECOND ENRICHMENT PLANT PLUS THE BILLION DOLLAR LOAN TO THE CEA WILL STRENGTHEN THE ABILITY OF THE FRENCH TO ATTRACT ADDITIONAL PARTICIPATION FROM THE EUROPEAN, JAPANESE, AND CANADIANS. THE FEASIBILITY STUDY FOR BUILDING SUCH A PLANT IN QUEBEC IS GOING VERY WELL, ACCORDING TO CEA DEPUTY ADMINISTRATOR PECQUEUR. THIS NEW COMBINATION OF IRANIAN PETROL BILLIONS AND FRENCH NUCLEAR KNOW-HOW MAY SHAPE UP AS A FORMIDABLE COMPETITOR FOR THE MULTIBILLION DOLLAR WORLD ENRICHMENT MARKET. THE FRENCH OBVIOUSLY HOPE TO GET A SECOND ENRICHMENT PLANT UNDERWAY IN THE NEAR FUTURE--POSSIBLY BEFORE THE U.S. DECIDES TO BUILD ITS FOURTH PLANT.

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